

**NATIONAL INDUSTRIAL SECURITY PROGRAM
SPECIAL SECURITY AGREEMENT**

**OUTSIDE DIRECTOR
DUTIES/RESPONSIBILITIES**

This pamphlet is designed as a basic overview of Special Security Agreements (SSAs) for persons who are appointed as Outside Directors for companies that have entered into SSAs under the auspices of the National Industrial Security Program (NISP). This pamphlet is not intended to replace or interpret specific terms in the SSA at your company, but rather to point to duties, responsibilities and authorities of Outside Directors under the terms commonly found in SSAs.

Facilities that participate in the National Industrial Security Program (NISP) are required to maintain a baseline security program. This includes the mitigation of any foreign ownership, control or influence (FOCI) factors. The Special Security Agreement (SSA) is one type of FOCI mitigation instrument. The following information is extracted from the SSA and it signifies the central role that an Outside Director has at a facility that operates under the auspices of a SSA.

I. An Outside Director should:

- Be appointed as a Board Member.

Attend Board Meetings. A majority of the Corporation Board, including at least one Inside Director and one Outside Director, shall be necessary to constitute a quorum.

Vote and act on all matters before the Board in accordance with his/her best efforts. For the purposes of the SSA, the term best efforts signifies performance of duties reasonably and in good faith, in the manner believed to be in the best interests of the Corporation, consistent with the national security concerns of the United States, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Establish/Implement Electronic Communications Policies/Procedures

- Maintain oversight of electronic communications to provide assurance to the Government Security Committee (GSC) and DSS that such communications between the Corporation and the foreign shareholder and/or any of the other Affiliates do not disclose classified or controlled unclassified information without proper authorization. These policies and procedures must be coordinated with the DSS Industrial Security Field Office within 45 days of the effective date of the Agreement. As used in the SSA, Electronic Communications means the transfer of information via telephone conversations, facsimiles, teleconferences, video conferences or electronic mail.

II. The Government Security Committee (GSC) is composed of all Outside Directors and cleared officer/directors. One Outside Director serves as the Chairman of the GSC. The GSC must:

Ensure implementation/compliance with the terms of the SSA.

Ensure that the Corporation establishes/maintains policies and procedures to safeguard classified information and controlled unclassified information.

The Chairman of the GSC shall designate a member to serve as the secretary of the GSC. The secretary's responsibilities include ensuring that all records, journals and minutes of GSC meetings and other documents sent or received by the GSC are prepared and retained for inspection by DSS.

The Facility Security Officer and Technology Control Officer (TCO) serve as principal advisors to the GSC.

Ensure that the corporation establishes/implements a Technology Control Plan (TCP) within 45 days of the effective date of the Agreement and submits the TCP to the local DSS Industrial Security Field Office for approval.

III. The Compensation Committee

- Consists of at least one Inside Director and one Outside Director. It is responsible for reviewing and approving the Corporation's board recommendation for the annual compensation of the Corporation's key management personnel.

IV. Annual Meeting

- Representatives of DSS and the Government Security Committee shall meet annually (on or near the anniversary date of DoD's execution of the SSA) to review the purpose and effectiveness of the SSA and to establish a common understanding of the operating requirements and how they will be implemented.
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The meeting shall include a discussion of the following:

-whether the SSA is working in a satisfactory manner.

-compliance or acts of noncompliance with the SSA, NISP rules or other

applicable laws and regulations.

-any necessary guidance or assistance regarding problems or impediments

associated with the practical application or utility of the SSA.

-whether security controls, practices or procedures warrant adjustment.

V. The Chairman of the GSC shall jointly submit to DSS an Annual Implementation & Compliance Report approximately two weeks in advance of the meeting. (A draft report will be accepted provided the final report is furnished prior to or at the meeting.)

The Report shall include the following information:

Detailed description of the manner in which the Corporation is carrying out its obligations under the SSA.

Detailed description of changes to security procedures, implemented or proposed, and the reasons for the changes.

Detailed description of any acts of noncompliance, whether inadvertent or intentional, with a discussion of what steps were taken to prevent such acts from occurring in the future.

A description of any changes or impending changes to any of the Corporation's top management, including the reason for such changes.

A statement, as appropriate, that a review of the records concerning all visits and communications between representatives of the Corporation entities and affiliates have been accomplished and the records are in order.

A chronological summary of all transfers of classified or controlled unclassified information, if any, from the Corporation entities to the affiliates.

A discussion of any other issues that could have a bearing on the effectiveness or implementation of the SSA.

VI. Establish Visitation Policy

The Chairman of the GSC shall designate at least one Outside Director who shall have the authority to review, approve, and disapprove requests for incoming and outgoing visits by all personnel who represent the Corporation, the foreign shareholder and any of its affiliates.

Inside Directors do not have to comply with the visitation procedures unless specifically stated in the SSA.

Visits by key management personnel should not be considered routine visits.